

**KELLOGGSVILLE
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2008

KELLOGGSVILLE PUBLIC SCHOOLS
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Year ended June 30, 2008

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 10, 2008

The Board of Education
Kelloggsville Public Schools

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Kelloggsville Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Kelloggsville Public Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of Kelloggsville Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Kelloggsville Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

KELLOGGSVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the Kelloggsville Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

KELLOGGSVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 8,246,980	\$ 8,821,445
Net capital assets	<u>27,606,351</u>	<u>27,433,312</u>
Total Assets	<u>35,853,331</u>	<u>36,254,757</u>
Liabilities		
Current liabilities	4,225,906	3,572,069
Long-term liabilities	<u>14,556,033</u>	<u>16,395,284</u>
Total Liabilities	<u>18,781,939</u>	<u>19,967,353</u>
Net Assets		
Invested in capital assets, net of related debt	12,057,336	9,979,221
Restricted	1,097,131	1,956,500
Unrestricted	<u>3,916,925</u>	<u>4,351,683</u>
Total Net Assets	<u>\$ 17,071,392</u>	<u>\$ 16,287,404</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

KELLOGGSVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 399,561	\$ 388,467
Operating grants	4,825,722	4,501,135
General Revenues		
Property taxes	6,462,471	6,092,599
State school aid, unrestricted	11,710,600	11,569,277
Interest earnings	276,195	313,290
Other	178,782	141,033
Total Revenues	<u>23,853,331</u>	<u>23,005,801</u>
Expenses		
Instruction	13,171,918	12,751,556
Supporting services	7,428,433	7,004,000
Community services	202,646	195,389
Food service	988,738	922,444
Athletics	543,308	538,686
Other	43,576	
Interest on long-term debt	686,650	834,264
Depreciation - unallocated	4,074	4,265
Total Expenses	<u>23,069,343</u>	<u>22,251,054</u>
Increase in net assets	783,988	754,747
Net Assets - Beginning of Year	<u>16,287,404</u>	<u>15,532,657</u>
Net Assets - End of Year	<u><u>\$ 17,071,392</u></u>	<u><u>\$ 16,287,404</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in grants, categorical funding and student count were significant contributors to revenue increases. A mid-year pro-ration in state aid was also a factor in reducing anticipated state aid revenues.

Property taxes and state aid accounted for most of the District's revenue, contributing about 76 cents of every dollar raised. Another 20 percent came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (65 percent).

- Total revenues surpassed expenses, increasing net assets \$783,988 from the prior year. Appropriate budget controls in place along with increased state aid and property taxes contributed to this.
- The cost of all governmental activities this year was \$23,069,342.
- Some of the costs were financed by the users of the District's programs totaling \$399,561.

KELLOGGSVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

- The federal and state governments subsidized certain programs with grants and contributions of \$4,825,722.
- The balance of the District's costs were financed by District taxpayers, state school aid and interest earnings, totaling \$18,628,048.
- This portion of governmental activities was financed with \$6,462,471 of property taxes, \$11,710,600 of unrestricted state aid based on the statewide education aid formula and investment earnings of \$276,195.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Kelloggsville Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$20,479,026, total expenditures of \$20,092,794, other financing sources of \$8,500, and total other financing uses of \$631,148. It ended the fiscal year with a fund balance of \$4,584,391, down from \$4,820,807 at June 30, 2007.

2007 Construction Fund

The District operates this fund to account for bond proceeds used to finance building construction and improvement projects. Interest earnings totaled \$74,624 and 2007-08 construction expenditures were \$959,724. The ending fund balance totaled \$972,617, down from \$1,857,717 at June 30, 2007.

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Management's Discussion and Analysis
June 30, 2008

Nonmajor Funds

Special Revenue Funds

The District operates three Special Revenue Funds, for the food service, athletic and child care programs. Total revenue of all special revenue funds was \$1,078,211, with total expenditures of \$1,534,310, other financing sources of \$430,500 and other financing uses of \$8,500. Of the ending fund balances, (\$31,818) is attributable to the Food Service Fund, \$30,658 is attributable to the Athletic Fund and \$12,846 is attributable to the Child Care Fund.

Debt Service Funds

The District operates three Debt Service Funds. Total revenues were \$2,224,060 and total expenditures were \$2,242,275. Refunding bond proceeds and premium totaled \$5,974,941 and payments to the escrow agent for the 1998 bond refunding totaled \$6,130,368. Transfers from other District funds totaled \$181,148. The ending fund balances totaled \$243,310.

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of the District's students. Balances on hand at June 30, 2008 totaled \$299,980.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times to comply with Michigan Department of Education guidelines. These budget amendments fall into two categories:

- Changes made in January to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Changes in May and final changes in June for increases in appropriations to prevent budget overruns.
- On the District's final amended budget anticipated expenditures exceeded revenues by \$315,407. Increased retirement and health care costs surpassed the increase in state revenue. More new programming was implemented to enhance student achievement specifically in credit recovery and ELL services.
- Actual revenues were \$121,206 lower than expected, due largely to decreased local revenues.
- Final expenditures were lower than anticipated due to the decrease in expected payables.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the District had a \$37,348,972 investment in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the notes to basic financial statements.)

KELLOGGSVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Capital asset purchases totaled \$963,014 and retirements totaled 220,849 for the fiscal year with accumulated depreciation increasing \$569,126. The net book value of capital assets at June 30, 2008 is detailed as follows:

Land	\$ 11,767,057
Land improvements	932,936
Buildings and additions	14,465,309
Furniture and equipment	203,525
Vehicles	<u>237,524</u>
Net Capital Assets	<u>\$ 27,606,351</u>

Long-Term Debt

At year end, the District had \$16,524,403 in general obligation bonds and other long-term debt outstanding – a net decrease of \$1,497,557 from last year. The 1998 bond issue was refunded during the year, resulting in a net present value savings of \$529,517.

The District's bond rating for General Obligation, Unlimited Tax debt is "Aaa". The District's other obligations include an installment purchase agreement, and staff related retirement incentives and compensated absences. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The new Michigan Business Tax as well as decreasing taxable values. Although these decreases are to be supplemented with increased state aid, we are aware of the possibility of a lack of increases in future state aid due to a decrease in statewide revenues creating a significant cash flow issue in the school aid fund.
- The State of Michigan did not implement a pro-ration for fiscal year 2007-08 and the funding per pupil increased to \$7,204. However, even with increased funding, the constraints of retirement and health care costs exceed the increase in funding levels. With the continued economic situation in the State of Michigan, it is difficult to determine where funding will be for the 2008-09 school year.
- The continual increase in retirement and health care rates is being monitored closely for appropriate future budget planning. The preparation for large percentage increases in the 2008-09 school year is being implemented. A mid-year pro-ration is anticipated after the November elections as well as the continual declining of Michigan's economy which results in lower statewide revenues.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Kelloggsville Public Schools, 242 – 52nd Street, Kentwood, MI, 49508.

BASIC FINANCIAL STATEMENTS

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 5,092,948
Receivables:	
Taxes (Note C)	118,625
Accounts	4,408
Due from other governmental units (Note C)	2,742,898
Inventory (Note A)	10,633
Prepaid expenses	6,954
Unamortized bond issue costs	270,514
Total Current Assets	<u>8,246,980</u>
Noncurrent Assets	
Capital assets (Note E)	37,348,972
Less accumulated depreciation	(9,742,621)
Total Noncurrent Assets	<u>27,606,351</u>
Total Assets	<u>35,853,331</u>
Liabilities	
Current Liabilities	
Accounts payable	147,513
Due to other governmental units	446,810
Accrued interest payable	147,330
Salaries payable	1,451,514
Current portion of long term obligations	2,032,739
Total Current Liabilities	<u>4,225,906</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	15,620,000
Durant non-plaintiff bonds payable	135,160
Severance pay	123,887
Accumulated sick leave	546,745
Early retirement incentive	98,611
Unamortized bond premium	64,369
Current portion of long term obligations	(2,032,739)
Total Noncurrent Liabilities	<u>14,556,033</u>
Total Liabilities	<u>18,781,939</u>
Net Assets	
Invested in capital assets, net of related debt	12,057,336
Restricted for:	
Debt service	124,514
Capital outlay	972,617
Unrestricted	3,916,925
Total Net Assets	<u><u>\$ 17,071,392</u></u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 13,171,918	\$ 19,572	\$ 3,713,189	\$ (9,439,157)
Supporting services	7,428,433	12,104	398,458	(7,017,871)
Community services	202,646	117,281	28,352	(57,013)
Food service	988,738	212,478	685,723	(90,537)
Athletics	543,308	38,126	-	(505,182)
Other	43,576	-	-	(43,576)
Interest on long-term debt	686,650	-	-	(686,650)
Depreciation - unallocated	4,074	-	-	(4,074)
Total Governmental Activities	<u>\$ 23,069,343</u>	<u>\$ 399,561</u>	<u>\$ 4,825,722</u>	<u>(17,844,060)</u>
General Revenues				
Taxes:				
Property taxes, levied for general operations				4,281,891
Property taxes, levied for debt service				2,180,580
State school aid, unrestricted				11,710,600
Interest and investment earnings				276,195
Other				178,782
Total General Revenues				<u>18,628,048</u>
Change in Net Assets				783,988
Net Assets - Beginning of Year				<u>16,287,404</u>
Net Assets - End of Year				<u>\$ 17,071,392</u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	General	2007 Construction	Nonmajor	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 3,850,966	\$ 972,617	\$ 269,365	\$ 5,092,948
Receivables:				
Taxes (Note C)	90,091	-	28,534	118,625
Accounts	3,462	-	946	4,408
Due from other funds (Note D)	235,000	-	207,834	442,834
Due from other governmental units (Note C)	2,736,613	-	6,285	2,742,898
Inventory (Note A)	-	-	10,633	10,633
Prepaid expenditures	6,954	-	-	6,954
Total Assets	\$ 6,923,086	\$ 972,617	\$ 523,597	\$ 8,419,300
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 147,513	\$ -	\$ -	\$ 147,513
Due to other funds (Note D)	207,834		235,000	442,834
Due to other governmental units	445,817	-	993	446,810
Salaries payable	1,447,440	-	4,074	1,451,514
Deferred revenue	90,091	-	28,534	118,625
Total Liabilities	2,338,695	-	268,601	2,607,296
Fund Balances				
Reserved for:				
Debt service	-	-	243,310	243,310
Capital outlay	-	972,617	-	972,617
Encumbrances	41,954	-	-	41,954
Unreserved:				
Undesignated, reported in:				
General fund	4,542,437	-	-	4,542,437
Special revenue funds	-	-	11,686	11,686
Total Fund Balances	4,584,391	972,617	254,996	5,812,004
Total Liabilities and Fund Balances	\$ 6,923,086	\$ 972,617	\$ 523,597	\$ 8,419,300

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances			\$ 5,812,004
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$37,348,972 and accumulated depreciation is \$9,742,621.			
			27,606,351
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			206,145
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(15,620,000)	
Durant non-plaintiff bonds		(135,160)	
Severance pay		(123,887)	
Accumulated sick leave		(546,745)	
Early retirement incentive		(98,611)	(16,524,403)
Accrued interest is not included as a liability in governmental funds.			
			(147,330)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			118,625
Total net assets - governmental activities			\$ 17,071,392

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	2007 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 4,656,779	\$ 74,624	\$ 2,588,206	\$ 7,319,609
State sources	13,341,091	-	61,815	13,402,906
Federal sources	841,062	-	652,260	1,493,322
Interdistrict sources	1,640,094	-	-	1,640,094
Total Revenues	<u>20,479,026</u>	<u>74,624</u>	<u>3,302,281</u>	<u>23,855,931</u>
Expenditures				
Current:				
Instruction	12,742,983	-	-	12,742,983
Supporting services	7,165,348	-	-	7,165,348
Community services	62,133	-	119,544	181,677
Food service	-	-	950,836	950,836
Athletics	-	-	463,930	463,930
Capital outlay	-	959,724	-	959,724
Debt service:				
Principal repayment	95,977	-	1,450,000	1,545,977
Interest and fiscal charges	1,942	-	674,397	676,339
Bond issuance costs	-	-	76,648	76,648
Underwriter's discount	-	-	41,230	41,230
Interdistrict	24,411	-	-	24,411
Total Expenditures	<u>20,092,794</u>	<u>959,724</u>	<u>3,776,585</u>	<u>24,829,103</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>386,232</u>	<u>(885,100)</u>	<u>(474,304)</u>	<u>(973,172)</u>
Other Financing Sources (Uses)				
Refunding bonds issued			5,890,000	5,890,000
Bond premium			84,941	84,941
Transfers in	8,500	-	631,148	639,648
Transfers out	(631,148)	-	(8,500)	(639,648)
Payments to escrow agent			(6,130,368)	(6,130,368)
Total Other Financing Sources (Uses)	<u>(622,648)</u>	<u>-</u>	<u>467,221</u>	<u>(155,427)</u>
Net Change in Fund Balances	(236,416)	(885,100)	(7,083)	(1,128,599)
Fund Balances, Beginning of Year	<u>4,820,807</u>	<u>1,857,717</u>	<u>262,079</u>	<u>6,940,603</u>
Fund Balances, End of Year	<u>\$ 4,584,391</u>	<u>\$ 972,617</u>	<u>\$ 254,996</u>	<u>\$5,812,004</u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ (1,128,599)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 742,165	
Depreciation expense	<u>(569,126)</u>	173,039

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (42,622)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets (5,890,000)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 238,923

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Repayment of bonds	7,460,000	
Repayment of notes	53,932	
Repayment of installment purchase agreements	<u>42,220</u>	7,556,152

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (10,310)

Add Internal Service Fund net income for the fiscal year. 55,998

In the Statement of Net Assets, early retirement incentive, accumulated vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$257,622) exceeded the amounts used/paid (\$89,029). (168,593)

Total changes in net assets - governmental activities \$ 783,988

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 4,480,240	\$ 4,867,368	\$ 4,656,779	\$ (210,589)
State sources	12,590,026	13,299,965	13,341,091	41,126
Federal sources	736,532	868,953	841,062	(27,891)
Interdistrict sources	1,754,588	1,563,946	1,640,094	76,148
Total Revenues	19,561,386	20,600,232	20,479,026	(121,206)
Expenditures				
Current:				
Instruction	12,767,786	12,834,807	12,742,983	91,824
Supporting services	6,323,778	7,086,945	7,165,348	(78,403)
Community services	54,705	56,710	62,133	(5,423)
Debt service	110,121	110,121	97,919	12,202
Interdistrict	46,000	24,408	24,411	(3)
Total Expenditures	19,302,390	20,112,991	20,092,794	20,197
Excess(Deficiency) Of Revenues Over Expenditures	258,996	487,241	386,232	(101,009)
Other Financing Sources (Uses)				
Transfers in	-	8,500	8,500	-
Transfers out	(491,027)	(811,148)	(631,148)	180,000
Total Other Financing Sources (Uses)	(491,027)	(802,648)	(622,648)	180,000
Net Change in Fund Balances	(232,031)	(315,407)	(236,416)	78,991
Fund Balances, Beginning of Year	4,820,807	4,820,807	4,820,807	-
Fund Balances, End of Year	\$ 4,588,776	\$ 4,505,400	\$ 4,584,391	\$ 78,991

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Net Assets
Proprietary Fund
June 30, 2008

	Health Internal Service
	<hr/>
Assets	\$ -
	<hr/>
Liabilities	\$ -
	<hr/>
Net Assets	
Unrestricted	-
	<hr/>
Total Net Assets	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended June 30, 2008

	Health Internal Service
Operating Revenues	
Insurance premiums	<u>\$ 63,831</u>
Operating Expenses	
Employee insurance	<u>10,126</u>
Operating Income	<u>53,705</u>
Nonoperating Revenues	
Interest earnings	<u>2,293</u>
Change in Net Assets	55,998
Net Assets, Beginning of Year	<u>(55,998)</u>
Net Assets, End of Year	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2008

	Health Internal Service
Cash Flows From Operating Activities	
Receipts from customers	\$ 63,831
Payments to suppliers	(10,126)
Net Cash Provided By Operating Activities	<u>53,705</u>
Cash Flows From Investing Activities	
Interest received	<u>2,293</u>
Cash Flows From Financing Activities	
Loans repaid to other funds	<u>(100,000)</u>
Net Decrease In Cash and Cash Equivalents	(44,002)
Cash and Cash Equivalents, Beginning of Year	<u>44,002</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities	
Operating income	<u><u>\$ 53,705</u></u>

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Assets

Cash equivalents, deposits and investments (Note B)	<u>\$ 299,980</u>
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Liabilities

Due to student groups	<u>\$ 299,980</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Kelloggsville Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,193 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Kelloggsville Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2007 Construction Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletics and Child Care Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

The District reports the following internal service fund:

The *Health Internal Service Fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments, primarily on a cost reimbursement basis. The Health Fund provides insurance benefits provided by payments from the other District Funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Kelloggsville Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Kelloggsville Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

10. Severance Pay/Accumulated Sick Leave/Early Retirement Incentive

Severance pay, accumulated sick leave, and early retirement incentive at June 30, 2008 has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Eligible District employees who retire are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay, accumulated sick leave, and early retirement amounted to \$123,887, \$546,745, and 98,611 respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Deposits

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Byron Bank

Balances at June 30, 2008 related to cash equivalents and deposits are detailed in the Basic Financial Statements as follows:

Governmental Funds	\$ 5,092,948
Fiduciary Fund	<u>299,980</u>
	<u>\$ 5,392,928</u>

Cash equivalents consist of bank interest earning super NOW accounts.

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$5,392,928 and the bank balance was \$5,576,117. Of the bank balance, \$315,466 was covered by federal depository insurance and \$5,260,651 was uninsured.

Investments

As of June 30, 2008 the District had no surplus funds that were classified as investments under GASB Statement No. 40. The District's policies to minimize investment risk are as follows:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Interest Rate Risk

The district minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Kelloggsville Public School District, and paid to the State of Michigan, totaled \$2,354,083.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Kelloggsville Public Schools was \$7,204 for 2,182 "Full Time Equivalent" students, generating \$12,976,097 in State aid payments to the District, of which \$2,393,179 was paid to the District in July and August, 2008 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Cities of Kentwood and Wyoming, and due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Total
2007	\$ 19,823	\$ 4,414	\$ 24,237
2006	18,875	4,480	23,355
2005	51,393	12,833	64,226
	<u>\$ 90,091</u>	<u>\$ 28,534</u>	<u>\$ 118,625</u>

Taxes receivable are offset by deferred revenue in the General and Debt Service Funds of the District. Taxes uncollected after three years from the date of levy are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Kelloggsville Public Schools electors previously approved an eight year operating millage extension in June, 1999 for the 18 mill non-homestead property tax.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The District levied 5.50 mills for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Due From (To) Other Funds / Interfund Transfers/Receivables

Amounts due from (to) other funds representing interfund receivables and payables from property tax revenue allocations and expenditures not yet reimbursed at June 30, 2008, are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
Major Fund		
General Fund		
Special Revenue Funds:		
Food Service Fund	\$ 55,000	\$ —
Debt Service Funds:		
1998 Debt Service Fund	129,600	149,640
2005 Debt Service Fund	50,400	58,194
	<hr/>	<hr/>
Total Major Fund	235,000	207,834
Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	—	55,000
Debt Service Funds:		
1998 Debt Service Fund:		
General Fund	149,640	129,600
2005 Debt Service Fund:		
General Fund	58,194	50,400
	<hr/>	<hr/>
Total All Funds	<hr/> \$ 442,834 <hr/>	<hr/> \$ 442,834 <hr/>

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Operating transfers between funds during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General Fund		
Special Revenue Funds:		
Athletics Fund	\$ —	\$ 450,000
Child Care Fund	8,500	—
Debt Service Fund:		
2007 Debt Fund	—	181,148
	<hr/>	<hr/>
Total Major Fund	8,500	631,148
Nonmajor Funds		
Special Revenue Funds:		
Athletics Fund:		
General Fund	450,000	—
Child Care Fund:		
General Fund	—	8,500
Debt Service Funds:		
2007 Debt Fund:		
General Fund	181,148	—
	<hr/>	<hr/>
Total All Funds	<u>\$ 639,648</u>	<u>\$ 639,648</u>

The General Fund transfer to the Athletic Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year. The transfers to the Debt Service Funds were made to 2007-08 debt service expenditures. The transfer from the Child Care Fund was made to pay for 2007-08 operational expenditures.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2008</u>
Capital assets not depreciated:				
Land	\$ 11,733,002	\$ 34,055	\$ —	\$ 11,767,057
Construction in progress	220,849	—	220,849	—
Capital assets being depreciated:				
Land improvements	1,186,415	506,434	—	1,692,849
Buildings and additions	20,985,492	315,171	—	21,300,663
Furniture and equipment	1,659,885	80,681	—	1,740,566
Vehicles	821,164	26,673	—	847,837
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical cost	<u>\$ 36,606,807</u>	<u>\$ 963,014</u>	<u>\$ 220,849</u>	<u>\$ 37,348,972</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008
Less accumulated depreciation for:				
Land improvements	\$ 707,067	\$ 52,846	\$ —	\$ 759,913
Buildings and additions	6,443,708	391,646	—	6,835,354
Furniture and equipment	1,455,091	81,950	—	1,537,041
Vehicles	567,629	42,684	—	610,313
Total accumulated depreciation	<u>9,173,495</u>	<u>\$ 569,126</u>	<u>\$ —</u>	<u>9,742,621</u>
Net Capital Assets	<u>\$ 27,433,312</u>			<u>\$ 27,606,351</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 283,306
Supporting services	145,101
Community services	20,969
Food service	36,298
Athletics	79,378
Unallocated	4,074
	<u>\$ 569,126</u>

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	General Obligation Bonds	Durant Non-plaintiff Bonds	Severance Pay/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 243,310	\$ —	\$ —	\$ 243,310
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	—	135,160	—	135,160
General Fund	—	—	769,243	769,243
Debt Service Funds	15,376,690	—	—	15,376,690
Total Amounts Available and To Be Provided	<u>\$ 15,620,000</u>	<u>\$ 135,160</u>	<u>\$ 769,243</u>	<u>\$ 16,524,403</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
July 1, 1998	\$ 7,155,000	\$ —	\$ 7,155,000	\$ —
August 10, 2005	7,960,000	—	205,000	7,755,000
January 1, 2007	2,075,000	—	100,000	1,975,000
February 12, 2008	—	5,890,000	—	5,890,000
Durant non-plaintiff bonds:				
November 13, 1998	135,160	—	—	135,160
Note payable	53,932	—	53,932	—
Installment purchase agreement	42,220	—	42,220	—
Severance pay	118,383	14,613	9,109	123,887
Accumulated sick leave	482,265	144,399	79,919	546,745
Early retirement incentive	—	98,611	—	98,611
	<u>\$ 18,021,960</u>	<u>\$ 6,147,623</u>	<u>\$ 7,645,180</u>	<u>\$ 16,524,403</u>

Long-term bonds at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$8,280M Refunding August 10, 2005:				
Annual maturities of \$205M to \$1,370M	May 1, 2015	3.50 – 5.00	\$ 7,755,000	\$ 900,000
\$2,075M Building and Site January 1, 2007:				
Annual maturities of \$100M to \$185M	May 1, 2022	3.875 – 4.00	1,975,000	105,000
\$5,890M Refunding February 12, 2008				
Annual maturities of \$755M to \$870M	May 1, 2022	3.00 – 3.50	5,890,000	755,000
Durant Non-plaintiff Bonds				
\$229M School Improvement November 13, 1998:				
Annual maturities of \$13M to \$98M	May 15, 2013	4.761353	135,160	12,379
			<u>\$ 15,755,160</u>	<u>\$ 1,772,739</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 1,772,739	\$ 678,353	\$ 2,451,092
2010	1,933,451	606,130	2,539,581
2011	1,973,981	503,160	2,477,141
2012	2,089,646	422,588	2,512,234
2013	2,200,343	336,791	2,537,134
2014	2,275,000	245,816	2,520,816
2015	2,375,000	146,729	2,521,729
2016	140,000	44,722	184,722
2017	150,000	39,297	189,297
2018	155,000	33,485	188,485
2019	160,000	27,440	187,440
2020	170,000	21,200	191,200
2021	175,000	14,400	189,400
2022	185,000	7,400	192,400
	<u>\$ 15,755,160</u>	<u>\$ 3,127,511</u>	<u>\$ 18,882,671</u>

On February 12, 2008, the District issued \$5,890,000 in general obligation bonds to advance refund \$6,010,000 of outstanding 1998 general obligation bonds with average interest rates of 5.05173%. The average interest rate of the refunding bond issue was 3.16957% resulting in a total net present value savings of \$529,517 or 2.9161%. The net proceeds of \$5,974,941 after original issue premium of \$84,941, underwriter's discount of \$41,230, bond issuance costs of \$84,343 and District contribution of \$281,000 were deposited with Wells Fargo Bank and used to purchase United States Treasury Securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2008). This defeasance procedure allows the District to remove the related assets and liability from its financial statement, which it has done. The bonds have been paid in full by the escrow agent at June 30, 2008.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$11,746,679. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were 1,935,586, \$1,951,164, and \$1,743,287, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPERS as

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year of reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Note H – Risk Management and Benefits

The District is a member of the SET-SEG Incorporated Insurance Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2008, there were no material pending claims against the District. The District paid \$55,823 in premiums to the Fund for the year ended June 30, 2008.

The District is also a member of the SET-SEG Incorporated Workers' Compensation Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2008, there were no material pending claims against the District. The District paid \$45,408 in premiums to the Fund for the year ended June 30, 2008.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note I – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2008, as follows:

	Budget	Actual	Unfavorable Variance
General Fund:			
Supporting services	\$ 7,086,945	\$ 7,165,348	\$ 78,403
Community services	56,710	62,133	5,423
Food Service Fund	900,438	950,836	50,398

The following District fund had a deficit fund balance at June 30, 2008:

	Deficit
Food Service Fund	\$ 31,818

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,850,966	\$ 4,096,785
Receivables:		
Taxes	90,091	121,414
Accounts	3,462	3,324
Accrued interest	-	9,397
Due from other funds	235,000	115,000
Due from other governmental units	2,736,613	2,349,664
Prepaid expenditures	6,954	18,197
	<u>6,954</u>	<u>18,197</u>
Total Assets	<u><u>\$ 6,923,086</u></u>	<u><u>\$ 6,713,781</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 147,513	\$ 193,565
Due to other funds	207,834	-
Due to other governmental units	445,817	432,653
Salaries payable	1,447,440	1,123,728
Deferred revenue	90,091	121,414
Compensated absences	-	21,614
	<u>-</u>	<u>21,614</u>
Total Liabilities	<u>2,338,695</u>	<u>1,892,974</u>
Fund Balances		
Reserved for encumbrances	41,954	83,254
Unreserved:		
Undesignated	4,542,437	4,737,553
	<u>4,542,437</u>	<u>4,737,553</u>
Total Fund Balances	<u>4,584,391</u>	<u>4,820,807</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,923,086</u></u>	<u><u>\$ 6,713,781</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 4,254,691	\$ 4,048,266
Delinquent property taxes	11,555	32,951
Other property taxes	25,669	9,015
Interest on delinquent taxes	21,299	15,291
	<u>4,313,214</u>	<u>4,105,523</u>
Interest earnings:		
Interest on deposits and investments	191,593	214,686
Other local revenue:		
Community education fees	1,067	881
Summer school tuition	1,237	14,210
Driver education fees	12,695	13,165
Preschool tuition	5,640	2,676
Beverage consortium commissions	50,104	48,448
Rental of school facilities	-	473
Donations	-	5,000
Sale of school property	100	6,400
Insurance reimbursements	51,023	11,839
Crossing guard reimbursement	12,104	12,201
Refunds of prior years' expenditures	-	20,951
Miscellaneous	18,002	18,001
	<u>151,972</u>	<u>154,245</u>
Total local sources	4,656,779	4,474,454
State sources:		
State aid	12,942,633	12,821,015
Special education - transportation	362,574	269,147
Special education - itinerants	35,884	15,670
Total state sources	<u>13,341,091</u>	<u>13,105,832</u>
Federal sources:		
Title I	329,640	272,398
Title IIA	95,333	92,849
Title II D	3,083	2,796
Title III	93,254	68,950
Title V	3,091	2,580
I.D.E.A. program	303,841	306,939
Drug free schools	6,711	5,121
Medicaid - school based	6,109	2,719
SPSR grant	-	4,000
Total federal sources	<u>841,062</u>	<u>758,352</u>
Interdistrict sources:		
Special education - county	1,204,893	1,248,590
Special education - tuition	283,097	158,931
Durant settlement reimbursements	15,957	15,957
Medicaid fee for service	136,147	90,901
Total interdistrict sources	<u>1,640,094</u>	<u>1,514,379</u>
Total Revenues	<u><u>\$ 20,479,026</u></u>	<u><u>\$ 19,853,017</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 2,615,861	\$ 2,465,614
Employee benefits	1,250,382	1,247,895
Purchased services	45,139	51,149
Supplies	62,454	59,269
Equipment and furniture	10,334	-
	<u>3,984,170</u>	<u>3,823,927</u>
Middle school:		
Salaries	1,442,154	1,358,900
Employee benefits	684,244	669,478
Purchased services	34,683	29,896
Supplies	48,021	63,980
Equipment and furniture	4,463	10,667
Miscellaneous	7,893	6,057
	<u>2,221,458</u>	<u>2,138,978</u>
High school:		
Salaries	2,067,507	1,984,359
Employee benefits	927,625	928,265
Purchased services	85,584	66,532
Supplies	113,324	113,788
Equipment and furniture	14,283	63,131
Miscellaneous	27,009	23,021
	<u>3,235,332</u>	<u>3,179,096</u>
Preschool:		
Salaries	300,195	235,804
Employee benefits	139,884	140,731
Purchased services	11,055	8,622
Supplies	14,464	17,622
Equipment and furniture	-	26,165
Miscellaneous	4,326	4,745
	<u>469,924</u>	<u>433,689</u>
Summer school:		
Salaries	24,773	29,705
Employee benefits	6,290	7,126
Supplies	194	1,670
	<u>31,257</u>	<u>38,501</u>
Total basic programs	<u>9,942,141</u>	<u>9,614,191</u>
Added needs:		
Special education:		
Salaries	805,189	771,121
Employee benefits	400,495	393,412
Purchased services	18,323	12,485
Supplies	4,016	10,288
Equipment and furniture	1,768	-
Payments to other school districts	506,481	442,972
	<u>1,736,272</u>	<u>1,630,278</u>

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education:		
Salaries	\$ 648,676	\$ 669,665
Employee benefits	334,255	337,390
Purchased services	10,295	12,756
Supplies	71,344	43,043
	<u>1,064,570</u>	<u>1,062,854</u>
Career and technology education:		
Salaries	-	71,697
Employee benefits	-	35,869
Supplies	-	2,222
	<u>-</u>	<u>109,788</u>
Total added needs	2,800,842	2,802,920
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	416,784	412,930
Employee benefits	160,834	188,655
Purchased services	553	898
Supplies	972	2,168
	<u>579,143</u>	<u>604,651</u>
Psychological services:		
Purchased services	364	235
Supplies	161	246
Payments to other school districts	90,792	81,506
	<u>91,317</u>	<u>81,987</u>
Speech pathology services:		
Salaries	92,734	76,502
Employee benefits	34,556	34,358
Purchased services	14,110	13,036
	<u>141,400</u>	<u>123,896</u>
Social worker services:		
Salaries	-	21,886
Employee benefits	54	425
Purchased services	357	321
Payments to other school districts	99,291	109,612
	<u>99,702</u>	<u>132,244</u>
Other pupil services:		
Salaries	49,141	49,204
Employee benefits	14,475	13,067
	<u>63,616</u>	<u>62,271</u>
Total pupil services	975,178	1,005,049
Instructional staff services:		
Improvement of instruction:		
Salaries	18,665	8,316
Employee benefits	49,751	31,326
Purchased services	61,135	58,583
Supplies	8,183	449
	<u>137,734</u>	<u>98,674</u>

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Library:		
Salaries	\$ 168,140	\$ 151,464
Employee benefits	65,007	78,950
Purchased services	746	40
Supplies	20,258	14,550
Miscellaneous	300	-
	<u>254,451</u>	<u>245,004</u>
Audio - visual:		
Purchased services	1,996	1,611
Supplies	31	406
Equipment and furniture	7,638	19,883
	<u>9,665</u>	<u>21,900</u>
Technology assisted instruction:		
Salaries	124,235	112,542
Employee benefits	53,394	56,456
	<u>177,629</u>	<u>168,998</u>
Supervision of instruction:		
Salaries	230,528	223,542
Employee benefits	101,771	116,076
Purchased services	42,842	44,722
Supplies	121,018	94,612
Miscellaneous	757	438
	<u>496,916</u>	<u>479,390</u>
Total instructional staff services	1,076,395	1,013,966
General administrative services:		
Board of education:		
Salaries	6,521	40,806
Employee benefits	1,266	2,182
Purchased services	97,022	70,398
Supplies	5,094	6,343
Miscellaneous	27,945	8,421
	<u>137,848</u>	<u>128,150</u>
Executive administration:		
Salaries	180,823	179,927
Employee benefits	65,111	67,447
Purchased services	5,202	5,116
Miscellaneous	2,860	2,893
	<u>253,996</u>	<u>255,383</u>
Total general administrative services	391,844	383,533
School administrative services:		
Office of the principal:		
Salaries	939,878	891,797
Employee benefits	409,497	437,373
Purchased services	23,207	25,218
Miscellaneous	5,148	4,421
Total school administrative services	<u>1,377,730</u>	<u>1,358,809</u>

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Business services:		
Fiscal services:		
Salaries	\$ 221,016	\$ 233,394
Employee benefits	109,268	114,059
Purchased services	28,475	22,995
Supplies	29,914	21,055
Miscellaneous	1,161	259
	<u>389,834</u>	<u>391,762</u>
Other business services:		
Purchased services	21,871	18,531
Miscellaneous	17,416	29,851
	<u>39,287</u>	<u>48,382</u>
Total business services	429,121	440,144
Operation and maintenance services:		
Operation and maintenance:		
Salaries	644,620	593,876
Employee benefits	327,255	351,939
Purchased services	315,147	300,516
Supplies	494,542	523,043
Equipment and furniture	111,267	43,485
Miscellaneous	1,184	1,598
	<u>1,894,015</u>	<u>1,814,457</u>
Total operation and maintenance services		
Pupil transportation services:		
Pupil transportation:		
Salaries	189,371	161,127
Employee benefits	79,514	72,098
Purchased services	47,153	22,874
Supplies	61,307	31,491
Miscellaneous	1,893	2,103
Payments to other school districts	453,173	440,399
	<u>832,411</u>	<u>730,092</u>
Total pupil transportation services		
Central services:		
Technology services:		
Purchased services	75,105	83,511
Supplies	3,388	4,031
Equipment and furniture	110,161	78,182
	<u>188,654</u>	<u>165,724</u>
Total central services		
Community services:		
Community relations/special projects:		
Salaries	39,577	27,900
Employee benefits	18,301	6,676
Purchased services	562	3,087
Supplies	3,693	11,411
	<u>62,133</u>	<u>49,074</u>
Total community services		

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Debt service:		
Principal repayment	\$ 95,977	\$ 109,929
Interest and fiscal charges	<u>1,942</u>	<u>6,364</u>
Total debt service	97,919	116,293
 Interdistrict:		
Payments to other school district	<u>24,411</u>	<u>11,000</u>
 Total Expenditures	 <u><u>\$ 20,092,794</u></u>	 <u><u>\$ 19,505,252</u></u>

NONMAJOR FUNDS

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue		
	Food Service	Athletics	Child Care
Assets			
Cash equivalents, deposits and investments	\$ 8,775	\$ 31,394	\$ 13,720
Receivables:			
Taxes	-	-	-
Accounts	-	-	946
Due from other funds	-	-	-
Due from other governmental units	6,285	-	-
Inventory	10,633	-	-
Total Assets	<u>\$ 25,693</u>	<u>\$ 31,394</u>	<u>\$ 14,666</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 55,000	\$ -	\$ -
Due to other governmental units	492	144	357
Salaries payable	2,019	592	1,463
Deferred revenue	-	-	-
Total Liabilities	<u>57,511</u>	<u>736</u>	<u>1,820</u>
Fund Balances			
Reserved for debt service	-	-	-
Unreserved:			
Undesignated	(31,818)	30,658	12,846
Total Fund Balances	<u>(31,818)</u>	<u>30,658</u>	<u>12,846</u>
Total Liabilities and Fund Balances	<u>\$ 25,693</u>	<u>\$ 31,394</u>	<u>\$ 14,666</u>

Debt Service			
1998	2005	2007	Total
\$ 118,429	\$ 92,524	\$ 4,523	\$ 269,365
21,727	6,807	-	28,534
-	-	-	946
149,640	58,194	-	207,834
-	-	-	6,285
-	-	-	10,633
<u>\$ 289,796</u>	<u>\$ 157,525</u>	<u>\$ 4,523</u>	<u>\$ 523,597</u>
\$ 129,600	\$ 50,400	\$ -	\$ 235,000
-	-	-	993
-	-	-	4,074
21,727	6,807	-	28,534
<u>151,327</u>	<u>57,207</u>	<u>-</u>	<u>268,601</u>
138,469	100,318	4,523	243,310
-	-	-	11,686
<u>138,469</u>	<u>100,318</u>	<u>4,523</u>	<u>254,996</u>
<u>\$ 289,796</u>	<u>\$ 157,525</u>	<u>\$ 4,523</u>	<u>\$ 523,597</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue		
	Food Service	Athletics	Child Care
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Interest earnings	1,372	1,261	335
Sales and admissions	212,478	38,126	-
Other local sources	-	-	110,574
Total local sources	213,850	39,387	110,909
State sources	33,463	-	28,352
Federal sources	652,260	-	-
Total Revenues	899,573	39,387	139,261
Expenditures			
Current:			
Food service	950,836	-	-
Athletics	-	463,930	-
Community services	-	-	119,544
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	-	-
Underwriter's discount	-	-	-
Total Expenditures	950,836	463,930	119,544
Excess (Deficiency) of Revenues Over Expenditures	(51,263)	(424,543)	19,717
Other Financing Sources (Uses)			
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	-	450,000	-
Transfers out	-	-	(8,500)
Payments to escrow agent	-	-	-
Total Other Financing Sources (Uses)	-	450,000	(8,500)
Net Change in Fund Balances	(51,263)	25,457	11,217
Fund Balances, July 1	19,445	5,201	1,629
Fund Balances, June 30	\$ (31,818)	\$ 30,658	\$ 12,846

Debt Service			
1998	2005	2007	Total
\$ 1,578,159	\$ 613,720	\$ -	\$ 2,191,879
22,926	8,916	339	35,149
-	-	-	250,604
-	-	-	110,574
1,601,085	622,636	339	2,588,206
-	-	-	61,815
-	-	-	652,260
1,601,085	622,636	339	3,302,281
-	-	-	950,836
-	-	-	463,930
-	-	-	119,544
1,145,000	205,000	100,000	1,450,000
207,784	384,965	81,648	674,397
76,648	-	-	76,648
41,230	-	-	41,230
1,470,662	589,965	181,648	3,776,585
130,423	32,671	(181,309)	(474,304)
5,890,000	-	-	5,890,000
84,941	-	-	84,941
-	-	181,148	631,148
-	-	-	(8,500)
(6,130,368)	-	-	(6,130,368)
(155,427)	-	181,148	467,221
(25,004)	32,671	(161)	(7,083)
163,473	67,647	4,684	262,079
\$ 138,469	\$ 100,318	\$ 4,523	\$ 254,996

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 213,839	\$ 213,850	\$ 11
State sources	34,554	33,463	(1,091)
Federal sources	643,405	652,260	8,855
Total Revenues	<u>891,798</u>	<u>899,573</u>	<u>7,775</u>
Expenditures			
Current:			
Food service	<u>900,438</u>	<u>950,836</u>	<u>(50,398)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,640)</u>	<u>(51,263)</u>	<u>(42,623)</u>
Fund Balances, July 1	<u>19,445</u>	<u>19,445</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 10,805</u></u>	<u><u>\$ (31,818)</u></u>	<u><u>\$ (42,623)</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 38,733	\$ 39,387	\$ 654
Expenditures			
Current:			
Athletics	470,351	463,930	6,421
Excess (Deficiency) of Revenues Over Expenditures	(431,618)	(424,543)	7,075
Other Financing Sources			
Transfers in	450,000	450,000	-
Net Change in Fund Balances	18,382	25,457	7,075
Fund Balances, July 1	5,201	5,201	-
Fund Balances, June 30	\$ 23,583	\$ 30,658	\$ 7,075

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 108,604	\$ 110,909	\$ 2,305
State sources	29,073	28,352	(721)
Total Revenues	<u>137,677</u>	<u>139,261</u>	<u>1,584</u>
Expenditures			
Current:			
Community services	131,033	119,544	11,489
Excess of Revenues Over Expenditures	<u>6,644</u>	<u>19,717</u>	<u>13,073</u>
Other Financing Uses			
Transfers out	-	(8,500)	(8,500)
Net Change in Fund Balances	6,644	11,217	4,573
Fund Balances, July 1	<u>1,629</u>	<u>1,629</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 8,273</u></u>	<u><u>\$ 12,846</u></u>	<u><u>\$ 4,573</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

Child Care—to account for user fees and State subsidies for use in administering the child care program of the District.

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 8,775	\$ 12,746
Due from other governmental units	6,285	6,306
Inventory	<u>10,633</u>	<u>17,253</u>
Total Assets	<u><u>\$ 25,693</u></u>	<u><u>\$ 36,305</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,429
Due to other funds	55,000	15,000
Due to other governmental units	492	87
Salaries payable	<u>2,019</u>	<u>344</u>
Total Liabilities	<u>57,511</u>	<u>16,860</u>
Fund Balances		
Unreserved:		
Undesignated	<u>(31,818)</u>	<u>19,445</u>
Total Liabilities and Fund Balances	<u><u>\$ 25,693</u></u>	<u><u>\$ 36,305</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Children's breakfasts	\$ 4,945	\$ 11,146
Children's lunches	144,771	121,206
Adult lunches	2,593	3,025
Milk	823	742
Ala carte	35,718	47,829
Vending machine	11,923	18,443
Banquets	7,659	11,689
Other	4,046	2,648
	<u>212,478</u>	<u>216,728</u>
Interest earnings:		
Interest on deposits and investments	1,372	1,892
Total local sources	<u>213,850</u>	<u>218,620</u>
State sources	33,463	42,815
Federal sources	<u>652,260</u>	<u>626,901</u>
Total Revenues	<u>899,573</u>	<u>888,336</u>
Expenditures		
Current:		
Food service:		
Salaries	248,266	218,578
Employee benefits	116,368	114,836
Purchased services	92,087	99,900
Supplies	486,512	438,205
Equipment and furniture	5,195	9,914
Miscellaneous	2,408	1,427
	<u>950,836</u>	<u>882,860</u>
Total Expenditures	<u>950,836</u>	<u>882,860</u>
Net Change in Fund Balances	(51,263)	5,476
Fund Balances, July 1	<u>19,445</u>	<u>13,969</u>
Fund Balances, June 30	<u><u>\$ (31,818)</u></u>	<u><u>\$ 19,445</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 31,394</u>	<u>\$ 5,438</u>
Liabilities and Fund Balances		
Liabilities		
Due to other governmental units	\$ 144	\$ 48
Salaries payable	<u>592</u>	<u>189</u>
Total Liabilities	<u>736</u>	<u>237</u>
Fund Balances		
Unreserved:		
Undesignated	<u>30,658</u>	<u>5,201</u>
Total Liabilities and Fund Balances	<u>\$ 31,394</u>	<u>\$ 5,438</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Athletic admissions	\$ 32,078	\$ 31,633
Tournament fees	5,832	6,925
Other	216	1
	<u>38,126</u>	<u>38,559</u>
Interest earnings:		
Interest on deposits and investments	<u>1,261</u>	<u>3,155</u>
Total Revenues	<u>39,387</u>	<u>41,714</u>
Expenditures		
Current:		
Athletics:		
Salaries	288,460	270,323
Employee benefits	85,163	86,768
Purchased services	47,918	32,531
Supplies	11,728	14,106
Equipment and furniture	20,268	41,437
Miscellaneous	10,393	10,441
	<u>463,930</u>	<u>455,606</u>
Total Expenditures	<u>463,930</u>	<u>455,606</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(424,543)</u>	<u>(413,892)</u>
Other Financing Sources		
Transfers in	<u>450,000</u>	<u>414,999</u>
Net Change in Fund Balances	25,457	1,107
Fund Balances, July 1	<u>5,201</u>	<u>4,094</u>
Fund Balances, June 30	<u><u>\$ 30,658</u></u>	<u><u>\$ 5,201</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 13,720	\$ 2,619
Accounts receivable	<u>946</u>	<u>946</u>
Total Assets	<u><u>\$ 14,666</u></u>	<u><u>\$ 3,565</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other governmental units	\$ 357	\$ 392
Salaries payable	<u>1,463</u>	<u>1,544</u>
Total Liabilities	<u>1,820</u>	<u>1,936</u>
Fund Balances		
Unreserved:		
Undesignated	<u>12,846</u>	<u>1,629</u>
Total Liabilities and Fund Balances	<u><u>\$ 14,666</u></u>	<u><u>\$ 3,565</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Other local sources:		
Child care fees	\$ 107,153	\$ 87,497
Summer activity fees	2,849	2,550
Refunds of prior years expenditures	523	-
Miscellaneous	49	-
	<u>110,574</u>	<u>90,047</u>
Interest earnings:		
Interest on deposits and investments	335	481
Total local sources	<u>110,909</u>	<u>90,528</u>
State sources	<u>28,352</u>	<u>22,133</u>
Total Revenues	<u>139,261</u>	<u>112,661</u>
Expenditures		
Current:		
Child care:		
Salaries	78,055	84,515
Employee benefits	35,528	34,498
Purchased services	3,031	2,092
Supplies	2,930	3,333
Miscellaneous	-	380
	<u>119,544</u>	<u>124,818</u>
Total Expenditures	<u>119,544</u>	<u>124,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,717</u>	<u>(12,157)</u>
Other Financing Sources (Uses)		
Transfers in	-	8,500
Transfers out	<u>(8,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,500)</u>	<u>8,500</u>
Net Change in Fund Balances	11,217	(3,657)
Fund Balances, July 1	<u>1,629</u>	<u>5,286</u>
Fund Balances, June 30	<u><u>\$ 12,846</u></u>	<u><u>\$ 1,629</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>1998</u>	<u>2005</u>	<u>2007</u>
Assets			
Cash equivalents, deposits and investments	\$ 118,429	\$ 92,524	\$ 4,523
Taxes receivable	21,727	6,807	-
Due from other funds	<u>149,640</u>	<u>58,194</u>	<u>-</u>
Total Assets	<u><u>\$ 289,796</u></u>	<u><u>\$ 157,525</u></u>	<u><u>\$ 4,523</u></u>
 Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 129,600	\$ 50,400	\$ -
Deferred revenue	<u>21,727</u>	<u>6,807</u>	<u>-</u>
Total Liabilities	<u>151,327</u>	<u>57,207</u>	<u>-</u>
Fund Balances			
Reserved for debt service	<u>138,469</u>	<u>100,318</u>	<u>4,523</u>
Total Liabilities and Fund Balances	<u><u>\$ 289,796</u></u>	<u><u>\$ 157,525</u></u>	<u><u>\$ 4,523</u></u>

Totals	
2008	2007
\$ 215,476	\$ 236,304
28,534	39,833
207,834	-
<u>\$ 451,844</u>	<u>\$ 276,137</u>

\$ 180,000	\$ 500
28,534	39,833
<u>208,534</u>	<u>40,333</u>
<u>243,310</u>	<u>235,804</u>
<u>\$ 451,844</u>	<u>\$ 276,137</u>

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	1998	2005	2007
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ 1,549,251	\$ 602,488	\$ -
Industrial facilities taxes	10,209	3,971	-
Delinquent property taxes	2,701	825	-
Other taxes	9,748	4,006	-
Interest on delinquent taxes	6,250	2,430	-
	1,578,159	613,720	-
Interest earnings:			
Interest on deposits and investments	22,926	8,916	339
Total Revenues	1,601,085	622,636	339
Expenditures			
Debt service:			
Principal repayment	1,145,000	205,000	100,000
Interest and fiscal charges:			
Interest expense	206,860	384,500	81,148
Paying agent fees	300	225	500
Tax refunds	624	240	-
Bond issuance costs	76,648	-	-
Underwriter's discount	41,230	-	-
Total Expenditures	1,470,662	589,965	181,648
Excess (Deficiency) of Revenues Over Expenditures	130,423	32,671	(181,309)
Other Financing Sources (Uses)			
Refunding bond proceeds	5,890,000	-	-
Bond premium	84,941	-	-
Transfers in	-	-	181,148
Payments to escrow agent	(6,130,368)	-	-
Total Other Financing Sources (Uses)	(155,427)	-	181,148
Net Change in Fund Balances	(25,004)	32,671	(161)
Fund Balances, July 1	163,473	67,647	4,684
Fund Balances, June 30	\$ 138,469	\$ 100,318	\$ 4,523

Totals	
2008	2007
\$ 2,151,739	\$ 2,057,887
14,180	16,961
3,526	6,646
13,754	2,891
8,680	5,996
2,191,879	2,090,381
32,181	44,193
2,224,060	2,134,574
1,450,000	1,250,000
672,508	817,085
1,025	1,025
864	6,050
76,648	-
41,230	-
2,242,275	2,074,160
(18,215)	60,414
5,890,000	-
84,941	-
181,148	27,049
(6,130,368)	-
25,721	27,049
7,506	87,463
235,804	148,341
\$ 243,310	\$ 235,804

CAPITAL PROJECTS FUND

2007 Construction Fund — to account for bond proceeds used to finance building construction and improvement projects.

KELLOGGSVILLE PUBLIC SCHOOLS
2007 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 972,617	\$ 1,857,217
Due from other funds	<u>-</u>	<u>500</u>
Total Assets	<u><u>\$ 972,617</u></u>	<u><u>\$ 1,857,717</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>972,617</u>	<u>1,857,717</u>
Total Liabilities and Fund Balances	<u><u>\$ 972,617</u></u>	<u><u>\$ 1,857,717</u></u>

KELLOGGSVILLE PUBLIC SCHOOLS
2007 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 49,453	\$ 48,883
Other local sources:		
Insurance reimbursements	<u>25,171</u>	<u>-</u>
Total Revenues	<u>74,624</u>	<u>48,883</u>
Expenditures		
Capital outlay:		
Purchased services	4,163	10,759
Architect services	58,039	57,025
Supplies	3,779	854
Land	34,055	-
Buildings and additions	800,818	-
Equipment and furniture	58,870	152,211
Debt service:		
Bond issuance costs	-	30,606
Underwriter's discount	<u>-</u>	<u>14,711</u>
Total Expenditures	<u>959,724</u>	<u>266,166</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(885,100)</u>	<u>(217,283)</u>
Other Financing Sources		
Bonds issued	<u>-</u>	<u>2,075,000</u>
Net Change in Fund Balances	<u>(885,100)</u>	<u>1,857,717</u>
Fund Balances, July 1	<u>1,857,717</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 972,617</u></u>	<u><u>\$ 1,857,717</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

KELLOGGSVILLE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 303,205</u>	<u>\$ 382,809</u>	<u>\$ 386,034</u>	<u>\$ 299,980</u>
Liabilities				
Due to student groups	<u>\$ 303,205</u>	<u>\$ 382,809</u>	<u>\$ 386,034</u>	<u>\$ 299,980</u>

OTHER INFORMATION

KELLOGGSVILLE PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County City of		
	Kentwood	Wyoming	Total
Taxable Valuations			
Operating	\$ 59,284,776	\$178,188,639	\$237,473,415
Debt Service	145,122,691	247,224,522	392,347,213
Rates (Mills)			
General Fund			18.0000
1998 Debt Service Fund			3.9600
2005 Debt Service Fund			1.5400
			<u>23.5000</u>
Taxes Levied 2007 Rolls			
General Fund	\$ 1,067,122	\$ 3,207,392	\$ 4,274,514
1998 Debt Service Fund	574,670	978,995	1,553,665
2005 Debt Service Fund	223,483	380,720	604,203
	<u>1,865,275</u>	<u>4,567,107</u>	<u>6,432,382</u>
Taxes Uncollected 2007 Rolls			
General Fund	18,183	1,640	19,823
1998 Debt Service Fund	4,054	360	4,414
2005 Debt Service Fund	1,576	139	1,715
	<u>23,813</u>	<u>2,139</u>	<u>25,952</u>
Taxes Collected 2007 Rolls			
General Fund	1,048,939	3,205,752	4,254,691
1998 Debt Service Fund	570,616	978,635	1,549,251
2005 Debt Service Fund	221,907	380,581	602,488
	<u>1,841,462</u>	<u>4,564,968</u>	<u>6,406,430</u>
Delinquent Taxes Collected			
General Fund	1,012	10,543	11,555
1998 Debt Service Fund	182	2,519	2,701
2005 Debt Service Fund	103	722	825
	<u>1,297</u>	<u>13,784</u>	<u>15,081</u>
Total Taxes Collected			
General Fund	1,049,951	3,216,295	4,266,246
1998 Debt Service Fund	570,719	979,357	1,550,076
2005 Debt Service Fund	221,907	380,581	602,488
	<u>\$ 1,842,577</u>	<u>\$ 4,576,233</u>	<u>\$ 6,418,810</u>
Taxes Uncollected - June 30, 2008			
General Fund:			
2007	\$ 18,183	\$ 1,640	\$ 19,823
2006	16,283	2,592	18,875
2005	44,942	6,451	51,393
	<u>79,408</u>	<u>10,683</u>	<u>90,091</u>
1998 Debt Service Fund:			
2007	4,054	360	4,414
2006	3,654	826	4,480
2005	10,777	2,056	12,833
	<u>18,485</u>	<u>3,242</u>	<u>21,727</u>
2005 Debt Service Fund:			
2007	1,576	139	1,715
2006	1,386	146	1,532
2005	3,195	365	3,560
	<u>6,157</u>	<u>650</u>	<u>6,807</u>
Total Taxes Uncollected	<u>\$ 104,050</u>	<u>\$ 14,575</u>	<u>\$ 118,625</u>

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 10, 2008

The Board of Education
Kelloggsville Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Kelloggsville Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kelloggsville Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated October 10, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

General Fund

1. \$207,834 to properly allocate property tax collections to District Debt Service Funds.
2. \$180,000 to reverse transfers to Debt Service Funds.

Food Service Fund

1. \$48,705 to record USDA entitlement and bonus commodities used during the year.

Building and Site Fund

1. \$87,990 to adjust reserve for encumbrances to zero at June 30, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, we found no significant deficiencies or material weaknesses during the audit so no SAS 112 letter is required.

Other Comments

The District General Fund balance decreased by \$236,416 to \$4,584,391 at June 30, 2008. This balance represents approximately 22.0 percent of the District's 2008-09 expenditure budget (down from 24.4 percent at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Kelloggsville Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Kelloggsville Public Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford, Alden, Nichols & Austin, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
KELLOGSVILLE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Kent City Community Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
 - **The Budget should be adopted using the Michigan Department of Education (MDE) Chart of Accounts. Since the District adopts its budgets at a function level these functions should mirror those currently required by the MDE (including separately identifying interdistrict revenues and expenditures and transfers between District funds).**
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
KELLOGSVILLE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Business Manager and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
 - **The General fund revenue budget must be closely monitored near year-end to anticipate changes from original expectations and variances should be analyzed closely before the budget is amended.**
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
KELLOGSVILLE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs
- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
KELLOGSVILLE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

STUDENT ACTIVITY ACCOUNTS

- **The Student Activity Fund should be used only for "student activities": those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.**

**KELLOGGSVILLE
PUBLIC SCHOOLS**
Kent County, Michigan

Auditor's Report on Compliance
for Federal Grant Programs

For the year ended June 30, 2008

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KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

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Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 10, 2008

To the Board of Education
Kelloggsville Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kelloggsville Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Kelloggsville Public School's basic financial statements and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kelloggsville Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kelloggsville Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kelloggsville Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Education
Kelloggsville Public Schools
October 10, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kelloggsville Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Kelloggsville Public Schools in a separate letter dated October 10, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldino, Nichols & Austin, P.C.

Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 10, 2008

To the Board of Education
Kelloggsville Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of Kelloggsville Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Kelloggsville Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kelloggsville Public School's management. Our responsibility is to express an opinion on Kelloggsville Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kelloggsville Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kelloggsville Public School's compliance with those requirements.

In our opinion, Kelloggsville Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Board of Education
Kelloggsville Public Schools
October 10, 2008

Internal Control Over Compliance

The management of Kelloggsville Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kelloggsville Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kelloggsville Public School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kelloggsville Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Kelloggsville Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I: 081530 0708	84.010	\$ 329,640
Title IIA: 080520 0708	84.367	95,333
Title IID Technology Literacy Challenge Grant: 084290 0708	84.318	3,083
Title III English Language Acquisition: 080580 0708	84.365A	93,254
Title V: 080250 0708	84.298	3,091
Service Provider Self-Review: 07440 0607	84.027A	4,000
Total Passed Through MDE		528,401
Passed through Kent Intermediate School District (KISD): Safe and Drug Free Schools and Communities Act: 082860 0708	84.186A	6,711
Special Education Cluster: I.D.E.A. – Flow Through: Flow Through – 070450 0607 Flow Through – 080450 0708	84.027	278,831 280,036
Total I.D.E.A. – Flow Through		558,867
I.D.E.A. – Transition: Transition – 080490-TS Pass through to Subrecipient	84.027A	9,000 —
Total I.D.E.A. - Transition		9,000

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 329,640	\$ 306,596	\$ 23,044
—	—	95,333	95,172	161
—	—	3,083	3,083	—
—	—	93,254	81,278	11,976
—	—	3,091	3,091	—
4,000	4,000	—	4,000	—
4,000	4,000	524,401	493,220	35,181
—	—	6,711	6,711	—
107,771	278,831	—	107,771	—
—	—	280,036	161,044	118,992
107,771	278,831	280,036	268,815	118,992
—	—	3,493	3,493	—
—	—	5,507	5,507	—
—	—	9,000	9,000	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
I.D.E.A. – Preschool:	84.173	
Preschool – 070460 0607		\$ 18,108
Preschool – 080460 0708		14,805
		<hr/>
Total I.D.E.A. – Preschool		32,913
		<hr/>
Total Special Education Cluster		600,780
		<hr/>
Total Passed Through KISD		607,491
		<hr/>
Total U.S. Department of Education		1,135,892
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid:	93.778	
072860 0607 Program		2,719
082860 0708 Program		6,109
		<hr/>
Total School Based Medicaid		8,828
		<hr/>
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Lunches:	10.555	
Section 4 – Total Servings – 081950		20,550
Section 11 – Free and Reduced – 081960		447,030
		<hr/>
Total Lunches		467,580
		<hr/>
Breakfast:	10.553	
Total Servings – 081970		2,505
Free and Reduced – 081970		124,857
		<hr/>
Total Breakfast		127,362
		<hr/>
Snack:	10.555	
Servings – 081980		4,455
		<hr/>
Special Milk:	10.556	
Servings – 081940		866
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 4,569 —	\$ 18,108 —	\$ — 14,805	\$ 4,569 12,549	\$ — 2,256
4,569	18,108	14,805	17,118	2,256
112,340	296,939	303,841	294,933	121,248
112,340	296,939	310,552	301,644	121,248
116,340	300,939	834,953	794,864	156,429
2,719 —	2,719 —	— 6,109	2,719 —	— 6,109
2,719	2,719	6,109	2,719	6,109
— —	— —	20,550 447,030	20,550 447,030	— —
—	—	467,580	467,580	—
— —	— —	2,505 124,857	2,505 124,857	— —
—	—	127,362	127,362	—
—	—	4,455	4,455	—
—	—	866	866	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Summer Food Service: Servings – 070900, 071900	10.559	\$ 3,292
Total Nutrition Cluster		603,555
U.S.D.A. Commodities: Entitlement Commodities	10.550	48,705
Total U.S.D.A. Commodities		48,705
Total U.S. Department of Agriculture (Passed Through MDE)		652,260
Total Federal Financial Assistance		\$ 1,796,980

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007		(Memo Only) Prior Year Expenditures		Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$	—	\$	—	\$ 3,292	\$ 3,292	\$ —
	—		—	603,555	603,555	—
	—		—	48,705	48,705	—
	—		—	48,705	48,705	—
	—		—	652,260	652,260	—
\$	119,059	\$	303,658	\$ 1,493,322	\$ 1,449,843	\$ 162,538

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of programs audited:

Special Education Cluster:

84.027 I.D.E.A. Flow Through

84.027A I.D.E.A. Transition

84.173 I.D.E.A. Preschool

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 X Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Section II - Financial Statement Findings

Current Year Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Prior Year Findings

Significant deficiency (Item 2007-1) in internal control over financial reporting considered to be a material weakness:

District officials or employees who lack the qualifications and training to fulfill certain responsibilities:

- 2007-1 The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

Corrective action taken finding has been cleared. In addition, the District filed a request for waiver of its potential high-risk auditee status for 2008 with the U.S. Department of Education, as allowed by the Michigan Department of Education. As of the date of filing this report, the results of the request for a waiver are still pending.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KELLOGGSVILLE PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 329,640	\$ 329,640	\$ —
Title IIA	95,333	95,333	—
Title IID Technology Literacy Challenge	3,083	3,083	—
Title III English Language Acquisition	93,254	93,254	—
Title V	3,091	3,091	—
Safe and Drug Free School and Communities Act	6,711	6,711	—
Special Education Cluster	303,841	303,841	—
School Based Medicaid	6,109	6,109	—
Nutrition Cluster	603,555	603,555	—
U.S.D.A. Commodities	48,705	48,705	—
	\$ 1,493,322	\$ 1,493,322	\$ —